



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

PRESS RELEASE

ECB sanctions Allied Irish Banks plc and EBS dac for miscalculating capital needs

10 September 2021

- > The two Irish banks miscalculated risk-weighted assets for intragroup equity exposures between 2014 and 2016
- > ECB imposed penalties of €420,000 on Allied Irish Banks plc and €195,000 on EBS dac

The European Central Bank (ECB) has imposed administrative penalties of €420,000 on Allied Irish Banks plc and €195,000 on its subsidiary EBS dac after the banks miscalculated their risk-weighted assets for intragroup equity exposures.

During nine and seven quarters respectively, Allied Irish Banks plc and EBS dac reported lower risk-weighted assets for intragroup equity exposures than they should have. Risk-weighted assets are a measure of the risks a bank has on its books. They serve as a basis for banks to calculate their capital needs. Underestimating risk-weighted assets means the banks did not calculate their capital needs properly and reported a higher Common Equity Tier 1 (CET1) ratio than they should have. [. \(Link to: http://www.ecb.europa.eu\)](http://www.ecb.europa.eu) The CET1 ratio is a key indicator of a bank's capital strength and its ability to absorb losses.

The breaches occurred between 2014 and 2016 and related to intragroup equity exposures only. Therefore, the breaches affected the CET1 ratio at individual, or solo, level only and had no impact on the CET1 ratio at consolidated level.

When deciding on the amount of a penalty to sanction a bank, the ECB applies its [Guide to the method of setting administrative pecuniary penalties](http://www.ecb.europa.eu/ecb/pub/pdf/ssm.guidetothemethodofsettingadministrativepecuniarypenalties_202103~400cbafa55.en.pdf) [. \(Link to: http://www.ecb.europa.eu/ecb/pub/pdf/ssm.guidetothemethodofsettingadministrativepecuniarypenalties_202103~400cbafa55.en.pdf\)](http://www.ecb.europa.eu/ecb/pub/pdf/ssm.guidetothemethodofsettingadministrativepecuniarypenalties_202103~400cbafa55.en.pdf). In this case, the ECB classified the breaches as moderately severe. More details on sanctions imposed by the ECB are available on the [ECB's banking supervision website](http://www.ecb.europa.eu/banking/sanctions/html/index.en.html) [. \(Link to: http://www.ecb.europa.eu/banking/sanctions/html/index.en.html\)](http://www.ecb.europa.eu/banking/sanctions/html/index.en.html).

The banks may challenge the ECB's decision before the Court of Justice of the European Union.

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Notes

- > The ECB's power to impose sanctions stems from Article 18(1) of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.
- > The Decision imposing a sanction may be challenged before the Court of Justice of the European Union under the conditions and within the time limits provided for in Article 263 of the Treaty on the Functioning of the European Union.

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